

City of San Diego Undergrounding Program

Thursday, November 17, 2005

Ways And Means May Consider Tax Break For Buried Power Lines

The House Ways and Means Committee may consider proposing a write-off of the costs of burying existing power lines next session, according to informed tax committee sources, who say there is growing support for the measure in the wake of devastating hurricanes in the Gulf and Florida coasts that left millions without power.

A measure introduced last week by Rep. Clay Shaw (R-FL), who is the highest ranking Republican on the committee next to chairman Rep. William Thomas (R-CA), would allow electric utility companies to expense the cost of replacing aboveground electric transmission lines with underground electric transmission lines. Supporters say the measure would significantly reduce the costs of underground burial retrofits.

Sources say the measure will likely be taken up for discussion next year and supporters are predicting that some legislation is likely before the next hurricane season. "The congressman is very serious about this measure," says one Clay staffer. The source added that the congressman has secured "verbal support from members" of the Florida delegation, as well as from recently tornado-hit states such as Missouri, Illinois, Kentucky and Tennessee.

"He has support from not just the congressional delegation from Florida but others as well," says a source from Clay's office. The bill has been referred to the House Ways and Means Committee.

The recent hurricanes that devastated the Gulf and Florida coasts have led to increased rhetoric in favor of burying both transmission and distribution lines. But cost concerns continue to plague both industry and state utility regulators, who have balked at the idea of mandating burying power lines.

Sources in Clay's office say the measure will encourage utilities to bury the lines without mandating the same. "By reducing the upfront cost of replacing these lines, this legislation would provide a significant incentive to burying power lines in disaster-prone areas like South Florida. This will not only ensure that more home owners, businesses, and government agencies keep power during storms, but will also reduce the cleanup and replacement cost following the storms," Shaw said in a statement.

Observers say the Clay measure is particularly significant because efforts by Florida lawmakers just to study burying power lines have met with stiff resistance. An official at the Florida Public Service Commission (FPSC) says that state statute currently does not allow the commission to require a utility to bury power lines. "The way the Florida state laws are written, the commission has regulatory authority only over rates, and the rate base has to consider the least-cost alternative," says the official.

The FPSC currently requires that utilities only provide overhead lines. If certain customers want underground power lines, those customers have to pay the difference. The FPSC studied the feasibility of requiring underground power lines in the 1990s, but concluded it was too expensive on a statewide scale.

State sources say a bill failed in the Florida Legislature last session that would have granted state utility regulators the authority to require lines be buried. It will likely be introduced in the next legislative session in light of new devastation to the grid in the Gulf Coast. But officials still see it as a tough task, considering that even legislation calling for a task force to study the feasibility failed in the past session.

Cost considerations notwithstanding, experts agree that underground power lines are less susceptible to outages after storms. The Edison Electric Institute, the utility industry trade group, estimates that burying new power lines costs about \$1 million per mile, about 10 times more than installing overhead lines.

Utility industry officials say most utilities are willing to bury power lines as long as they can pass on a portion of the costs to ratepayers. In Florida, especially, most of the state's utilities are largely on board with burying the power lines wherever affordable, industry sources said. Since Hurricane Andrew struck in 1992, about 70 percent of the new lines installed by Florida Power and Light (FPL) are underground and close to 40 percent of its overall lines are now buried, compared with only 31 percent 12 years ago.

But, while most new power lines are being buried, industry sources say cost estimates for retrofitting existing lines is more problematic. "Retrofitting costs can vary depending upon terrain and also whether the community is an urban or rural area," says a spokesperson with FPL.

Even though experts agree that underground lines are more stable, there are concerns that flooding can also cause widespread outages. When Hurricane Charley approached land, the Tampa Electric Co. shut down power to the city's downtown businesses because of fears that a saltwater storm surge would damage the underground network. Experts say buried service is superior during high winds, but lines and poles perform better during heavy rains.